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S E C R E T SECTION 01 OF 03 BAKU 000369

SIPDIS

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FOR EUR A/S FRIED FROM AMBASSADOR HARNISH

E.O. 12958: DECL: 03/08/2021

TAGS: [PREL](#) [PGOV](#) [ENRG](#) [MARR](#) [KDEM](#) [PHUM](#) [IR](#) [RU](#) [AM](#) [AJ](#)

SUBJECT: SCENESETTER FOR A/S FRIED'S MARCH 13-14 TRIP TO
AZERBAIJAN

REF: BAKU 347

Classified By: Ambassador Reno L. Harnish III per 1.4 (b,d).

11. (S) Summary: We warmly welcome your March 13-14 visit and view it as much-needed opportunity to engage the highest levels of the GOAJ. Azerbaijan could play a critical role in advancing U.S. interests in energy security and a useful one in the resolution of the nuclear threat posed by Iran. It also could greatly advance the U.S. security posture in the region, by upgrading Nasosnoya Air Base to NATO standards and accommodating our average of 15 gas-and-go stops per month there, rather than at Heydar Aliyev Airport. Enhanced GOAJ efforts on Caspian Sea WMD interdiction efforts -- particularly through bringing Azerbaijan's Navy into existing programs -- are critical as well. Further GOAJ progress on democracy, reform and human rights remain key to our long-term interests in Azerbaijan. We also are at a critical stage in identifying property for a New Embassy Compound (NEC) and your raising the issue briefly with the President would be extremely useful. The unresolved Nagorno-Karabakh conflict looms large over all of these issues, but cannot overshadow our other pressing bilateral issues. End summary.

ALIYEV'S MINDSET

12. (C) In the wake of Western criticism of Azerbaijan's November parliamentary elections, President Aliyev worries that he may be rejected as a strategic partner by the West. Beleaguered by non-stop, high-level pressures and attentions from Russia and Iran, Aliyev seeks similar attention from the West, and particularly a sign that the U.S. is ready to engage further to help protect Azerbaijan's independence and security vis-a-vis its powerful neighbors. Convincing Aliyev of the importance that we attach to the bilateral relationship will be key to securing U.S. objectives. Your visit will be viewed by Aliyev as welcome evidence of our interest in Azerbaijan.

ENERGY SECURITY

13. (C) Azerbaijan could play a critical role in breaking the Russian grip on Europe's natural gas markets. With up to 8 billion cubic meters per year coming on-line through Phase I of the Shah Deniz field, Azerbaijan by 2008 will become a major exporter to Turkey. Recent discoveries indicate that Shah Deniz could hold up to one trillion cubic meters,

meaning that further development of the field will not only break Russia's energy grip on Georgia and Azerbaijan, but also will significantly diversify Europe's supplies. Azerbaijan will need help in developing the additional infrastructure needed to deliver Shah Deniz gas to European markets (current SCP capacity is not sufficient and new large pipeline projects would be necessary beyond Turkey). Azerbaijan will also seek our help in working with interested companies.

¶4. (C) Azerbaijan also could play a greater role as a transit country for Caspian energy resources. Azerbaijan already has two deals underway to bring Kazakhstan's oil into BTC by ship. Separately, Azerbaijan has been negotiating an intergovernmental agreement (IGA) with Kazakhstan for three years. Our help may be necessary to close the deal. With an IGA, the U.S. could be assured that Kazakh oil transits through the East-West energy corridor, rather than Russian or Iranian routes. Azerbaijan also seeks our help in convincing Turkmenistan of the merits of a new, trans-Caspian gas pipeline, and will look to the U.S. to help secure financing for such a project. President Aliyev raised both of these energy issues with me on March 2 (ref) and will look to you for an expanded vision of U.S. energy policy.

IRAN

¶5. (C) The diplomatic standoff over Iran's nuclear energy programs worries most Azerbaijanis including President Aliyev. Azerbaijan is both beholden to and threatened by Iran, dependent on Iran for access to the isolated Nakhchivan exclave and challenged continuously by Iran over the disputed

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Caspian Sea boundaries. For this reason, Azerbaijan walks a very fine line on Iran, never publicly condemning its nuclear programs while at the same time privately telling us that of course it wants to see the programs ended via diplomatic means. Azerbaijan fears that it would be caught in the middle of a confrontation over Iran, inadvertently suffering from sanctions (as sanctions would leave Nakhchivan without energy supplies and ties to mainland Azerbaijan), potentially overrun by ethnic Azeri refugees and pressured by the West to allow military operations against Iran from Azerbaijani territory. Aliyev told me that he welcomes a high-level dialogue with the U.S. on Iran. He will look to your visit as an opportunity for a frank exchange of views and intentions, particularly the possible role for Azerbaijan in the Secretary's new Iran democracy initiative.

BILATERAL SECURITY ISSUES

¶6. (S) We need to advance the already strong bilateral security relationship. Azerbaijan is a critical partner in the war against terrorism, providing unlimited overflight clearances and regular gas and go services for coalition planes bound for Afghanistan and Iraq. Military flight volumes are increasing with over 30 landings since the beginning of the year. We ultimately will need to switch from our current operations at Baku's Heydar Aliyev International Airport to a more secure and discreet location at the Nasosnoya Air Base outside Baku. While Azerbaijan has agreed to upgrade the base to make it NATO compatible as part of its IPAP agreement, high-level discussion of this issue will be key to actually making this happen. U.S. policy toward Iran likely will factor into Aliyev's thoughts on this issue.

¶7. (C) In order to move forward in our next stage of Caspian security programs, the GOAJ must bring its navy into WMD interdiction programs supported by the U.S. CTR program. I raised this issue with President Aliyev on March 2 and he appeared to understand the issue. However, reinforcement of this message, as well as further elaboration of our vision

for Caspian security programs, would be useful. President Aliyev continues to receive pressure from Russia on CASFOR -- most recently from President Putin during his February 21-22 visit to Baku -- and a reaffirmation by you of our commitment to help Azerbaijan secure its own borders would be very much appreciated by Aliyev.

DEMOCRACY AND REFORM

18. (C) Continued Azerbaijani progress on democracy and reform is central to our long-term interest in stability in this region. Azerbaijan will have parliamentary rerun election on May 13, for the ten seats that the Central Election Commission and Constitutional Court overturned. President Aliyev has pledged that the elections will be run in a free and transparent fashion and we believe that he intends to keep that pledge. The elections so far have been of little interest to the general public, largely because of election fatigue and the lack of attention from several opposition parties. However, with an average of 10 candidates per seat, interesting races could develop if independent candidates decide to make a serious run and the GOAJ allows campaigns to develop unimpeded. Looking beyond the rerun elections, the real challenge for democracy in Azerbaijan is to build independent institutions. In spite of the flawed November elections, the new parliament is showing some encouraging signs of developing a backbone and independent agenda. Several members of parliament -- including from the ruling party -- have shown an interest in developing an oversight capacity and becoming more responsive to their constituents through the development of U.S.-funded constituency offices. A discussion with reform-minded parliamentarians outlining U.S. democracy goals would boost their efforts.

19. (C) Renewed efforts on Azerbaijan's stalled economic reform program also are needed. New Minister of Economic Development Heydar Babayev is a close friend of and advisor to the President, and a key interlocutor on reform issues. Your meeting will reinforce the message we have been delivering to key economic interlocutors for more than

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year. In addition to the need for a clearly articulated budget process and macroeconomic policy targeted at preventing the onset of Dutch disease, the GOAJ also needs to make significant progress on anti-corruption and rule of law issues. With energy revenue projected to explode to USD 42 billion by 2010, the potential for economic instability is great and, if left unchecked, could provoke political instability. Key first steps in promoting a better business climate and greater investment in the non-energy sectors would be implementation of the recommendations included in the AmCham White Paper, which was delivered to President Aliyev in November 2005.

HUMAN RIGHTS

110. (C) GOAJ handling of the arrest of former ministers Ali Insanov and Farhad Aliyev, Aliyev's brother former AzPetrol Chairman Rafiq Aliyev, and 10 others accused of plotting a coup, demonstrates the serious problems in rule of law. The group has been in custody for nearly five months now, with little GOAJ movement toward producing charges against the group other than a televised early November "confession" by former Finance Minister Fikrat Yusifov that was a gross violation of the group's human rights. The GOAJ has moved ravenously against the holdings of former Minister Farhad Aliyev and his brother, jailed AzPetrol head Rafiq Aliyev, opening what appears to be politically motivated tax cases against their companies and dismantling their holdings in extremely shady court rulings. GOAJ handling of this case has had a distinct chilling effect on Azerbaijan's business climate, with several groups of U.S. investors telling us

that they have backed away from potential deals in light of the lack of protections offered to companies outside the energy PSA framework.

¶11. (C) President Aliyev is the only one who can resolve this case and appears to be acting out of a genuine fear that the group was in fact plotting his overthrow. The case is further complicated by the fact that Aliyev believes the U.S. played some role in orchestrating this "coup." A frank dialogue on this case, including its potentially devastating effects on Azerbaijan's attempts to attract investment in the non-energy sector, is needed. We believe such a dialogue would be most effective if it focused on the need for a fair and transparent trial based on evidence, rather than on the plight of individual defendants.

¶12. (C) The trial of Ruslan Bashirli and other Yeni Fikir youth movement activists likely will begin around the time of your visit. Bashirli was the first of three opposition youth leaders connected to the Popular Front Party who were arrested for allegedly plotting a coup, based on a widely publicized videotape of a meeting in Tbilisi in which Bashirli appeared to discuss the overthrow of the GOAJ. The GOAJ recently added "illegal entrepreneurship" charges to the case against Bashirli, arguing that Yeni Fikir was not legally registered with the Ministry of Justice. The GOAJ's aggressive pursuit of this case suggests the arrests were meant to send a threatening message to opposition youth organizations in the run-up to the November parliamentary elections. A public and private message urging the GOAJ to conduct a fair and transparent trial and protect the due process rights of the defendants, would help support months of embassy advocacy on this case.

NAGORNO-KARABAKH

¶13. (C) Looming over all of these issues, of course, is the unresolved issue of Nagorno-Karabakh. Resolution of the conflict is critical to the region's stability and full integration into the Euro-Atlantic system. We welcome Steve Mann's engagement on this issue just prior to your visit and are hopeful that he will be able to identify a way out of the post-Rambouillet impasse. We hope that you will be able to focus your energies on making progress on our other bilateral issues.

HARNISH